

As of right now, planting in Brazil ceases in the lagging behind states of Santa Catarina and Rio Grande do Sul (RS), the latter being the biggest problem. Farmers in RS had a difficult time getting in the fields to the wheat out to plant soybeans. Although, RS had some initial problems, current rainfall is making everyone smile in that state. Conab pegs RS crop at 8.42 millions tonnes, 6.4% up from last crop, but our experience and history in that state believe more like above 9 million.

Rainfall all over the soybean belt in Brazil has been exceptional and also coming in at the right stage. According to the National Weather Institute (INMET), January precipitation is expected above normal, which is favorable to the crop. This scenario is different than last year, where we have seen prolonged periods of drought, especially in Mato Grosso do Sul, west of Parana, Rio Grande do Sul and then our neighbors Argentina and Paraguay. Argentina is 92% planted.

Harvest in Mato Grosso started and the crop is seen at 18.65 million tons, record high historically. The short-cycled planted beans started to make into the market in the northern regions of Lucas do Rio Verde, Nova Mutum and Sorriso. The yields are above expected, but basis well below planned, but farmers seem satisfied by the combination of both.

they said that it came earlier and more intense than other years, but they are dealing with it as they know the consequence of ignoring it. The problem becomes the cost of handling 1 to 2 additional sprays they expect for the year. Normally, they are used to 1-3 sprays depending on the state, but this year some are expecting 3 to 5 to contain the spreading.

From November 2009 to January 5th 2010, in Mato Grosso 76 Asian rust cases were reported according to the Association of Soybean Producers of Mato Grosso (APROSOJA), compared to 3 cases in 2008/2009 crop.

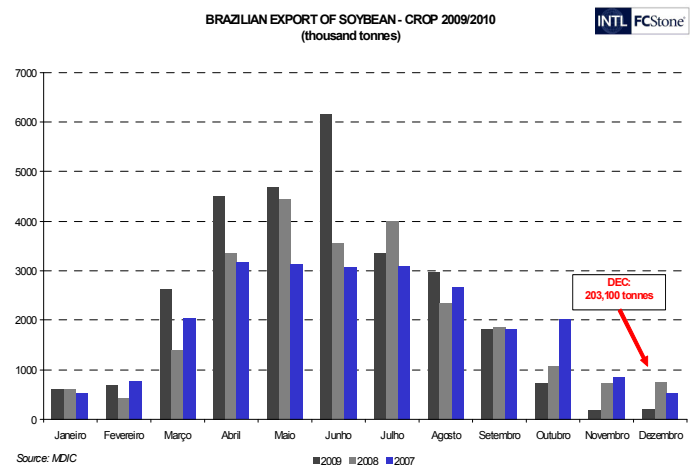
Exports in December out of Brazil was 73% less than last year, however as expected due to low stocks and high basis in the domestic market. In the next 30 to 60 days, stocks will be much larger and domestic/export basis should start to align themselves.

Brazilian Soybean Crop						
(Harvested Area in thousand ha, Productivity in kg/ha and Production in thousand tonnes)						
	Harvested Area		Productivity		Production	
	2009/10	%*	2009/10	%*	2009/10	%*
<b>MT</b>	6,139	5.3	3,04	(1.4)	18,652	3.8
<b>MS</b>	1,730	0.8	2,75	12.9	4,756	13.8
<b>GO</b>	2,469	7.0	2,97	0.2	7,332	7.3
<b>PR</b>	4,383	7.7	3,00	28.4	13,148	38.3
<b>RS</b>	4,011	4.9	2,10	1.4	8,422	6.4

\* Variation between 2009/10 and 2008/09 crops in %  
Source: Conab's December report

Basis dropped as crushing plants went to yearly maintenance, biodiesel plants got covered for the 1st delivery period of the year and most trading companies are busy with US purchases or in holiday still. A bump in demand is expected next week as the new business year really starts and Chinese purchases starts coming south of the equator.

As everyone heard in the market, Asian rust has been hitting Brazil very hard as the wet climate adds fuel to the disease. In talking to some farmers,



Source: MDIC